Statement of Robert Rynning, President
Minnesota Barley Growers Association

Before the
Subcommittee on General Farm Commodities
And Risk Management

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Mr. Chairman, my name is Robert Rynning, a barley farmer from Kennedy, MN. I farm three thousand acres in partnership with my younger brother, Tim. I am currently serving as President of the Minnesota Barley Growers Association and have been selected to serve as Vice-president of the National Barley Growers Association.

Mr. Chairman. As I prepared this testimony, I was experiencing the worst year of my farming career. Because of the wet weather cycle that has encapsulated northern Minnesota, I was only able to plant 1000 acres out of my 3000-acre base. The farmers and the agriculture infrastructure in my region are in dire straights and will be going through a long, cold winter of soul searching. To compound the problem the national weather experts in Grand Forks, North Dakota tell us we can expect this 30-year wet cycle to last another 10 years. Although we are cognizant of all the needed Federal Crop Insurance reform that has been developed in the past few years, the farmers in my region cannot cash flow on crop insurance proceeds alone. Much more is needed.

Barley Production

Barley is a food crop as well as a feed grain. Currently, about one half of barley produced in the U.S. is grown for food use and that is largely for malting purposes. Malting companies pay a premium for this high quality barley. Even with a premium price, however, malt barley production is decreasing due to higher loan rates for other grain crops. Low prices for feed barley and a low loan rate compared to other program crops make it difficult for farmers to justify growing feed barley. These factors have caused an even greater reduction in feed barley production.

Barley has become an “endangered” commodity in the United States. Barley acres and production have steadily declined from 13 million to 5.8 million over the course of the last 15 years. Barley production in 1999 reached a 25-year low and acreage was the lowest in 100 years. Barley acres in Minnesota have fallen from 1.2 million acres to less than 200,000 acres in the past 20 years. In fact, barley exports have fallen by 70 percent while imports have increased by 36 percent – making the United States a net barley importer. Yet the U.S. retains a barley stocks-to-use ratio of 33 percent, more than adequate to supply additional markets.

The infrastructure of the U.S. barley industry is threatened by this steady decline in acres. Malting barley demand remains constant at around 150 million bushels per year. Yet, national barley production continues to decline. The domestic malting industry, whether buying barley from contracted or open market production, has always been most efficient when plants are located closest to the production areas. As U.S. barley acres continue to decline, the domestic malting industry may relocate plants near more stable production areas, taking plants, jobs and labor to Canada and Europe, where barley acres and a supply of malting barley are stable.

The Minnesota Barley Growers Association is not looking backward to find excuses for our industry and infrastructure. We have been strong supporters of the increased planting flexibility provided by the 1996 Farm Bill. However, planting flexibility combined with loan rate provisions in the 1996 Farm Bill is resulting in a sharp downturn in barley acres. Specifically, freezing loan rates and tying barley's loan rate to its feed value relationship to corn, have placed barley production at a competitive disadvantage with other crops. **We want the next Farm Bill to restore equity between barley and other crops.**

Our views on three key areas – the Marketing Loan Program, fixed and decoupled Agriculture Marketing Transition Act-, or AMTA-type payments and a counter-cyclical income safety net program – comprise the balance of my statement.

1. Marketing Loans

Modification of the Marketing Loan Program is a top priority for the Minnesota Barley Growers.

Under the current Farm Bill, the barley loan rate reflects barley's feed value relationship to corn on a per-pound basis. Since the corn loan ceiling is established at $1.89 per bushel, and since a bushel of barley is only 48 pounds compared to 56 for corn, the barley loan rate is effectively capped at $1.65. This feed value relationship understates the market value of malting and food barley, which have averaged **$0.53/bushel** higher than feed barley over the last ten years.

The Minnesota Barley Growers support basing the barley loan rate on a five-year Olympic average of barley prices. The loan rate should be no less than 85 percent of average barley prices received by farmers during the 1996 to 2000 period, adjusted to reflect historical price differences between commodities. **This would provide a floor of $2.14/bushel for barley.**

A broader version of this proposal to rebalance loan rates for all loan-eligible crops has been proposed by the American Farm Bureau Federation. It would enhance the income safety net in a counter-cyclical way; offering higher LDPs when market prices fall below loan rates. It would also reduce the current distortion in planting decisions caused by the loan program. If this proposal leads to nationwide increases in barley acreage due to higher re-balanced loan rates, we might also see lowered costs for barley industries. Finally, the Farm Bureau proposal would increase government expenditures by $2.3 billion per year ($131 million for barley), and would be subject to "amber box" limits under the Uruguay Round Agreement.

Realigned rates and costs are based on USDA projections to realign soybeans for the 2001 crops (with acreage shifts):

Commodity	**2001 Announced Rates**	**2001 Re-aligned Rates**	**Cost**
Barley	*$1.65*	*$2.14*	*$131*
Corn	$1.89	$2.01	$1,045
Wheat	$2.58	$2.88	$647
Soybeans	$5.26	$5.26	$0
Upland Cotton	$.5192	$.5557	$271
Rice	$6.50	$7.54	$204
Sorghum	$1.71	$1.78	$39
Oats	$1.16	$1.27	$9
TOTAL: $2,346			

Until Congress rewrites the Farm Bill and rebalances loan rates, barley growers support using the all-barley price to determine the barley loan rate. According to the Department of Agriculture, this change would have increased the national loan rate for barley about **$0.36 per bushel** for the 2000 crop. For the 2001 crop, by our calculations, this change would establish an all-barley loan rate at $1.88, or $0.23 cents higher than the current $1.65/bushel established administratively by USDA.

USDA determination of loan repayment rates must be revised to more accurately reflect local cash values, rather than arbitrary values based on so-called terminal locations. For instance, in the North Central growing region, where 65 percent of U.S. barley is raised, USDA determines daily Posted County Prices (PCPs) utilizing a terminal location called "Minnesota." However, no real "Minnesota" terminal exists, and more importantly, the daily PCPs affiliated with this "Minnesota" terminal location are consistently higher than local elevator prices plus normal transportation differentials. Modification of the loan program should include direction for USDA to reflect active terminal and local elevator prices in establishment of county loan repayment rates.

2. AMTA Payments

The Minnesota Barley Growers support a decoupled, guaranteed, and fixed crop payment for the life of the next farm bill. Similar to AMTA payments, the crop payment should be extended without regard to domestic price fluctuations, and should be decoupled from current and future production to avoid influencing planting decisions. The aggregate level of the annual AMTA-type payment should be no less than the $5.6 billion fiscal year 1999 level. The allocation among the seven AMTA crops (wheat, corn, sorghum, barley, oats, upland cotton, rice) should be maintained at the levels established in the 1996 Farm Bill. Likewise, the minimum barley AMTA payment level should be restored to the 27.2 cents/bushel affiliated with the 1999 AMTA program. Finally, in the event Congress includes payments for loan-eligible crops not included in the original AMTA formula, the Barley Growers support an offsetting increase in total annual funding.

3. Counter-Cyclical Supplemental Income Program

Low commodity prices have brought out the inadequacy of the current farm program safety net, including AMTA payments and the Marketing Loan Program. Producers of all commodities need an additional program that will provide income support payments when income or the per-acre return of a commodity sector declines. The recent emergency supplemental assistance programs have been extremely helpful. But they provide no long-term protection, which causes great uncertainty among producers and their lenders.

The Minnesota Barley Growers support creation of a counter-cyclical income support program based on projected shortfalls in commodity cash receipts. This program would replace current ad hoc emergency payments, and funding for this program should be in addition to the previously mentioned modifications to the Marketing Loan Program and continued AMTA-type payments.

The Barley Growers support a counter-cyclical program proposal currently being formulated and analyzed by the National Association of Wheat Growers. The program would trigger commodity-specific payments when market prices (including per-bushel or -unit farm program payments) are less than an established Market Support Level for each commodity. Once the Market Loss Support Payment is triggered, per-bushel or -unit payments would equal the difference between (1) the established Market Support Level for a commodity, and (2) the per-unit AMTA-type payment and the higher of either the national average marketing loan level or the forecasted national average market price.

The proposal would derive the per-bushel or -unit Market Support Level by dividing a commodity's total average production from 1995-1999 into the commodity's Gross Income and Total Support (cash receipts, LDPs or marketing loan gains, and AMTA and Market Loss Assistance payments) during the same five-year period. Based on this formula, barley's Market Support Level would be $2.72 per bushel.

If barley's established Market Support Level is $2.72 per bushel, the per bushel AMTA-type payment is $0.27, and forecasted prices in a year are less than barley's national average marketing loan level of $2.14, barley producers would receive a Market Loss Support payment of $0.31 per bushel. The per unit Market Loss Support payment could be prorated in the event eligible payments would otherwise exceed the funding level allocated for the counter-cyclical program.

After it is determined that a commodity is eligible for Market Loss Support payments, payments to eligible producers would be based on a farmer's barley acres and yields during a decoupled historical base period.

Other agriculture policy components critical to farm income

The Minnesota Barley Growers Association supports further examination of voluntary incentive-based "green payments" similar to the Conservation Security Act introduced in the House and the Senate. The program should provide payments in exchange for implementation of conservation practices, including improving water quality, soil erosion, and wildlife habitat. The program would support farm income, benefit the public at large, and would be classified as "green" box under WTO rules. Identification of funds and implementation of this program should be included with changes to the marketing loan program, AMTA-type payments, and a counter-cyclical program.

Domestic farm policy and income support programs are only part of the solution to the challenges facing barley growers. While the purpose of today's hearing is limited to identifying domestic program alternatives for development of the next farm bill and budget baseline, some mention must be made of needed changes in trade policy. Even if barley growers receive higher loan rates and supplemental income assistance, these supports will not resolve long-term restraints on our export competitiveness, including the strength of the U.S. dollar, unfair foreign subsidies, false phytosanitary non-tariff barriers such as TCK, and unfair practices of monopolistic State Trading Enterprises. Barley growers understand the United States will never convince foreign competitors to reduce subsidy levels and tariffs without reducing our own trade distorting supports. However, when past agreements bind us to unfair levels relative to their spending limits, the rules must be changed.

United States barley farmers have three fierce competitors on the world export market – the **Europeans, Canadians, and the Australians**. Because of the strong United States Dollar, which we know is appreciated by the consumer populace, the U.S. barley farmer finds himself non-competitive on the world market even with the low commodity prices of today. Currently, the Euro Dollar is trading at $.84, the Canadian Dollar at $.65 and the Australian Dollar at an alarming $.51. I believe that this committee should take a very close look at the Oilseeds Farm Bill proposal that takes into account the valuation of the dollar when constructing a counter-cyclical program.

Finally, it is critical to farmers and the farm economy for policy makers to clearly indicate that farmers will receive emergency funding for the 2001 and 2002 crops of not less than the combined AMTA payment and supplemental economic loss assistance provided for the 1999 crop. Without adequate emergency assistance for the current crop year, many farmers will be out of business before the next farm bill.

Conclusion

In summary, barley growers support a substantial increase in the budget baseline for agriculture, to allow for reform and rebalancing of the marketing loan program, continuation of annual decoupled AMTA-type payments at no less than the fiscal year 1999 level, and development of a counter-cyclical program to supplement low market prices and farm income when needed. We urge this Committee to work with the House Budget Committee and the Administration to identify funding that will meet the needs of agriculture through the life of the next farm bill, and in addressing the immediate emergency funding needs required for fiscal years 2001 and 2002.

Mr. Chairman, that concludes my statement. Thank you for the opportunity to appear before the Committee.